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FOR IMMEDIATE RELEASE

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Indiana Budget is Balanced Third Straight Year

29 States are in the Red – Including all of our Neighbors

Indianapolis (July 17, 2008) - State Auditor Tim Berry today announced that Indiana achieved the third balanced budget in a row, without a state tax increase. Auditor Berry closed the books for the fiscal year ending June 30 with revenue exceeding expenditures by \$321.4 million.

State agencies exercised spending restraint and prudent fiscal management and reduced the rate of expenditure growth from 4.8% as passed by the General Assembly to 3.9%. Since 2005 Governor Daniels has limited annual spending growth to 2.8%, less than half the rate of growth in the prior eight years of 5.9%. This also compares favorably to the national average rate of growth for all states in 2008 at 5.1%.

“Balanced budgets do not occur by accident. Governor Daniels has implemented measures to control spending that have achieved sound results,” said Auditor Berry.

The General Fund/Property Tax Replacement Fund (GF/PTRF) combined balance is now more than \$1.4 billion, still within the adequate reserve range of 10%-12%. As part of Governor Daniels property tax relief plan, Indiana will be absorbing in excess of \$1 billion in vital services for school operations, county welfare and police and fire pension obligations from local government during the current fiscal year. These reserves are essential in providing the commitment to adequately funding these services.

“Twenty-nine states, including all of our surrounding neighbors, are experiencing fiscal difficulties while Indiana continues to have prudent reserves,” stated Berry. “Other states are looking at raising taxes or drastically cutting vital services, but Indiana has balanced the budget through sound fiscal management and constrained spending without a tax increase.”

Strong financial health has enabled Indiana to:

- Accelerate the repayment of payment delays to local units of government (accelerated from FY 2009 to May 2008), totaling \$212 million.
- Advance the distribution of \$620 million of 2008 homestead credits to Indiana counties, in most cases months ahead of schedule. These funds are a vital source of revenue for local units to provide services and reduce local borrowing, especially for counties with added burdens caused by severe storms this year.

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Summary of FY08 Close Out

(Millions of Dollars)

	Actual FY 2007	Actual FY 2008	Estimated FY 2009
Beginning Balance	1,089.3	1,285.7	1,413.1
Current Year Revenues			
Actual Forecasted Revenue (1)		12,930.6	13,163.2
Disproportionate Share Hospital (DSH)		65.2	67.0
Quality Assessment Fee		19.7	18.0
Miscellaneous Revenue (2)		35.9	15.0
Enrolled Acts - 2007		-	(12.8)
Enrolled Acts - 2008 (excluding HEA 1001) (3)		-	(5.6)
Total Current Year Revenues (4)	12,704.4	13,051.4	13,244.8
Current Year Expenses			
Budgeted Appropriations		13,001.9	13,427.1
Adjustments to Appropriations		(0.6)	
Enrolled Acts - 2008 (excluding HEA 1001)			12.8
Reversal of Payment Delays		(145.1)	(136.6)
Judgments and Settlements		6.6	8.0
Total Reversions		(132.8)	(91.0)
Total Current Year Expenditures	12,246.8	12,730.0	13,220.3
<i>Annual Rate of Change</i>		3.9%	3.9%
Annual Surplus / (Deficit) (Current Year Revenues - Current Year Expenses)	457.6	321.4	24.5
Other Sources and (Uses) of Cash			
Reduce Payment Delay Liabilities:			
Higher Education		(31.1)	(31.1)
Tuition Support			
Local Units		(209.8)	
PTRF Adjust for Abstracts		38.0	(78.7)
LOIT Distribution		(11.8)	
Rainy Day Fund Interest		18.8	12.8
HEA 1001 (3)		1.9	5.1
Total Combined Balances	1,285.7	1,413.1	1,345.7
Total Combined Balances Net of Payment Delay Liability	1,000.2	1,382.0	1,345.7

Totals may not add due to rounding

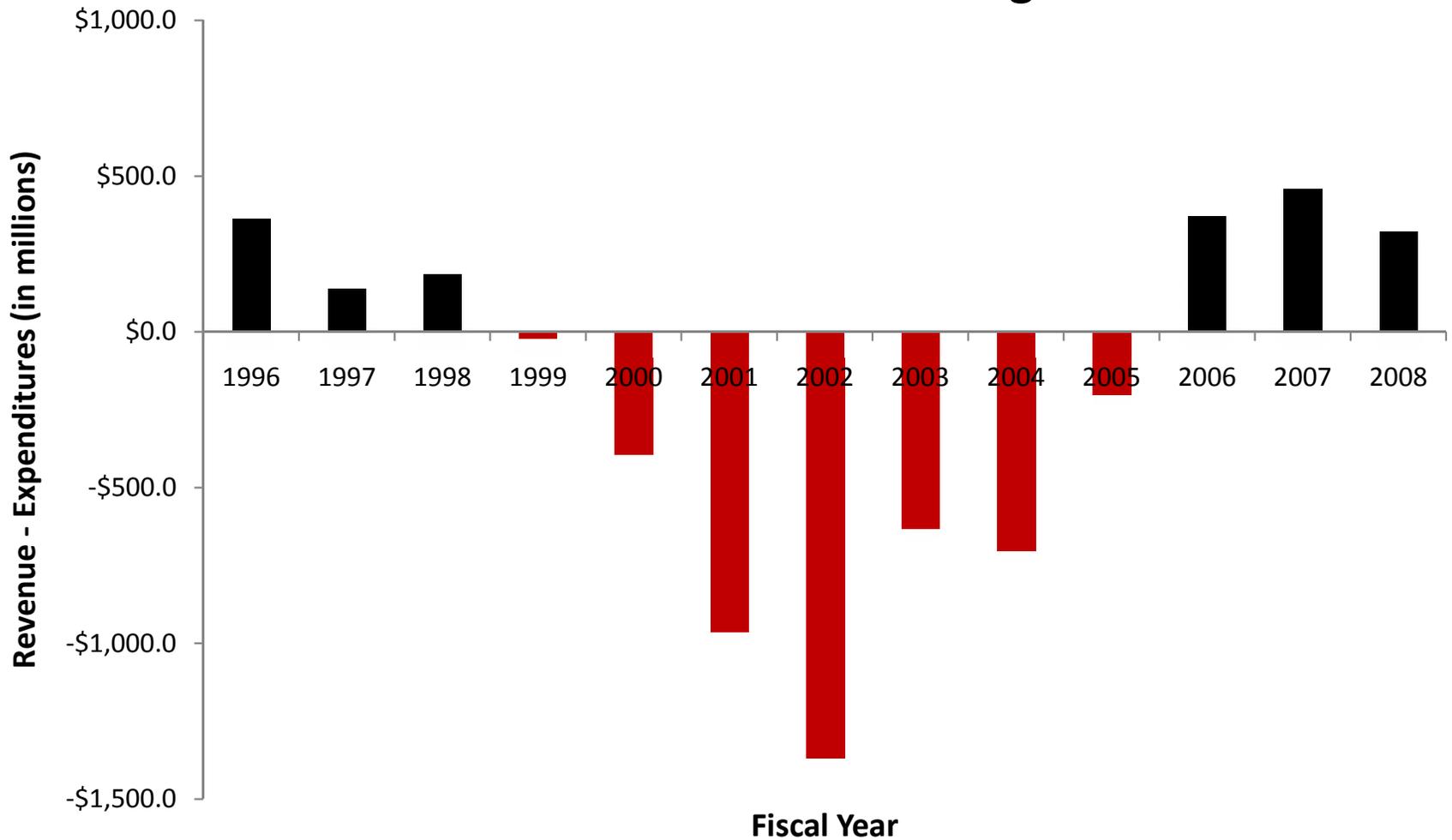
Notes: (1) FY 08 revenue figures are actual. FY 09 revenue figures reflect the updated revenue forecast from 12/13/07

(2) Miscellaneous revenue includes a one-time recapture of \$14.6M from United Airlines as well as Marion County Juvenile Arrearage dollars (\$21.3M in FY08 and \$15.0M in FY09).

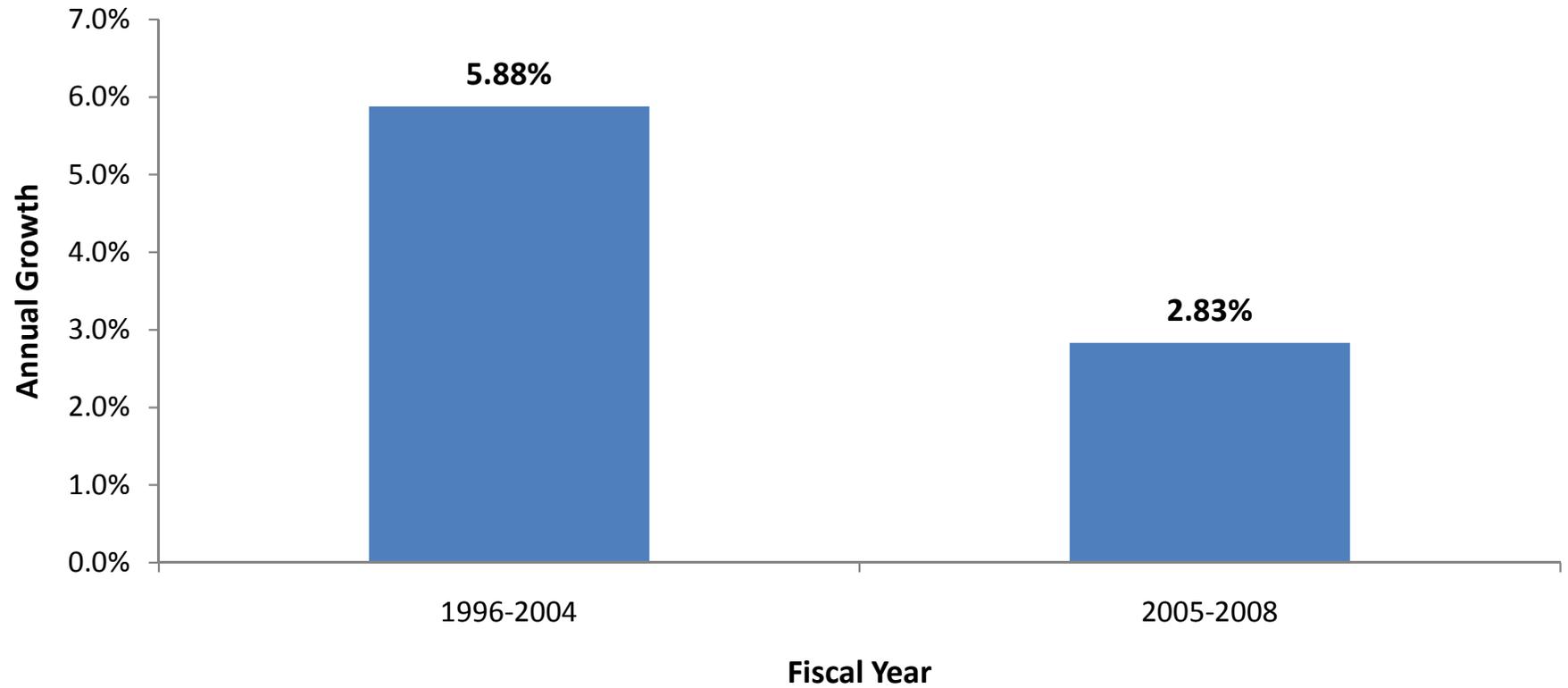
(3) The fiscal impact of HEA 1001 is detailed in "Sources and Uses: HEA 1001"

(4) Total Current Year Revenues excludes \$30.0M transfer from Medicaid reserve and \$18.8M of Rainy Day Fund interest.

3rd Consecutive Balanced Budget



Annual Expenditure Growth

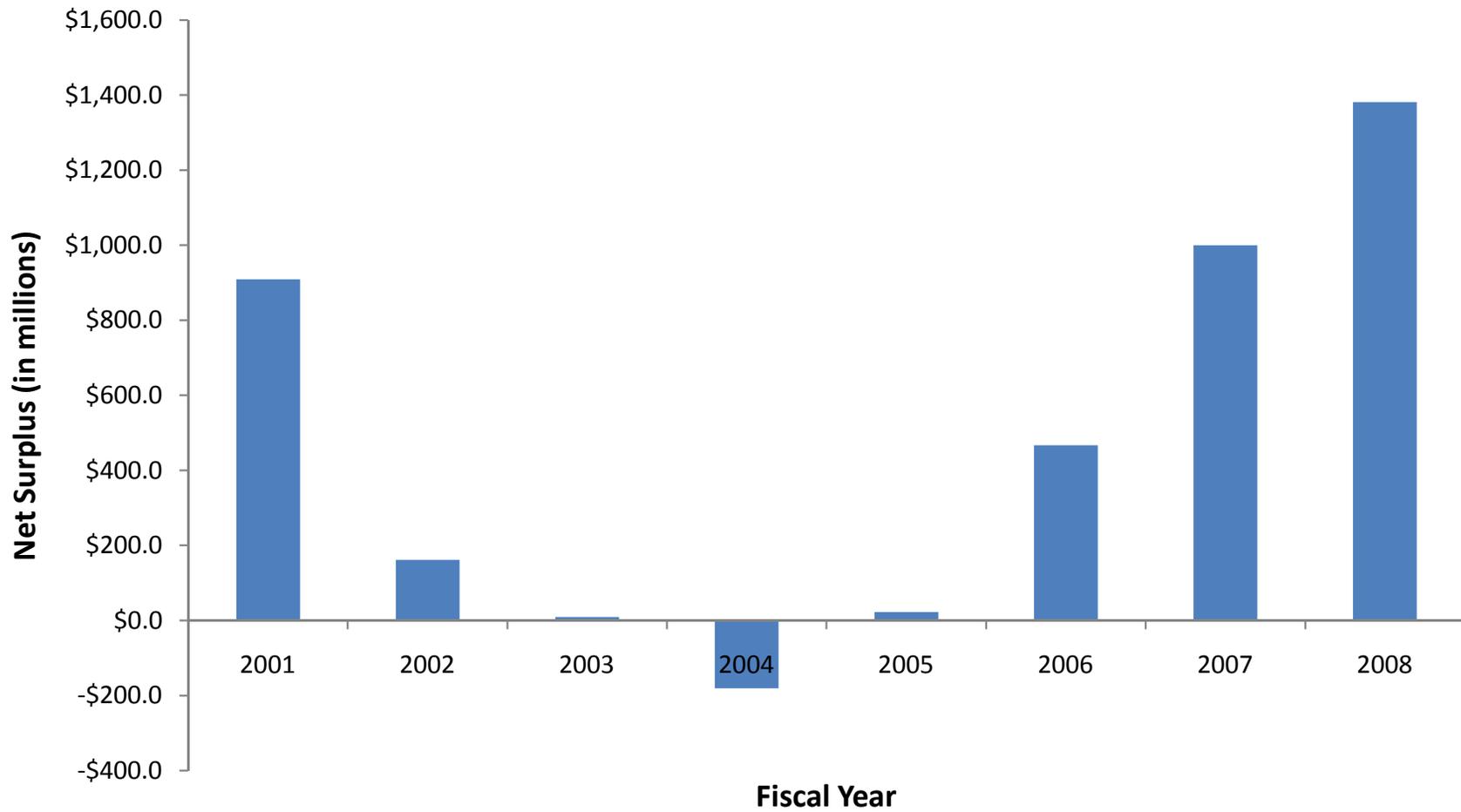


Notes:

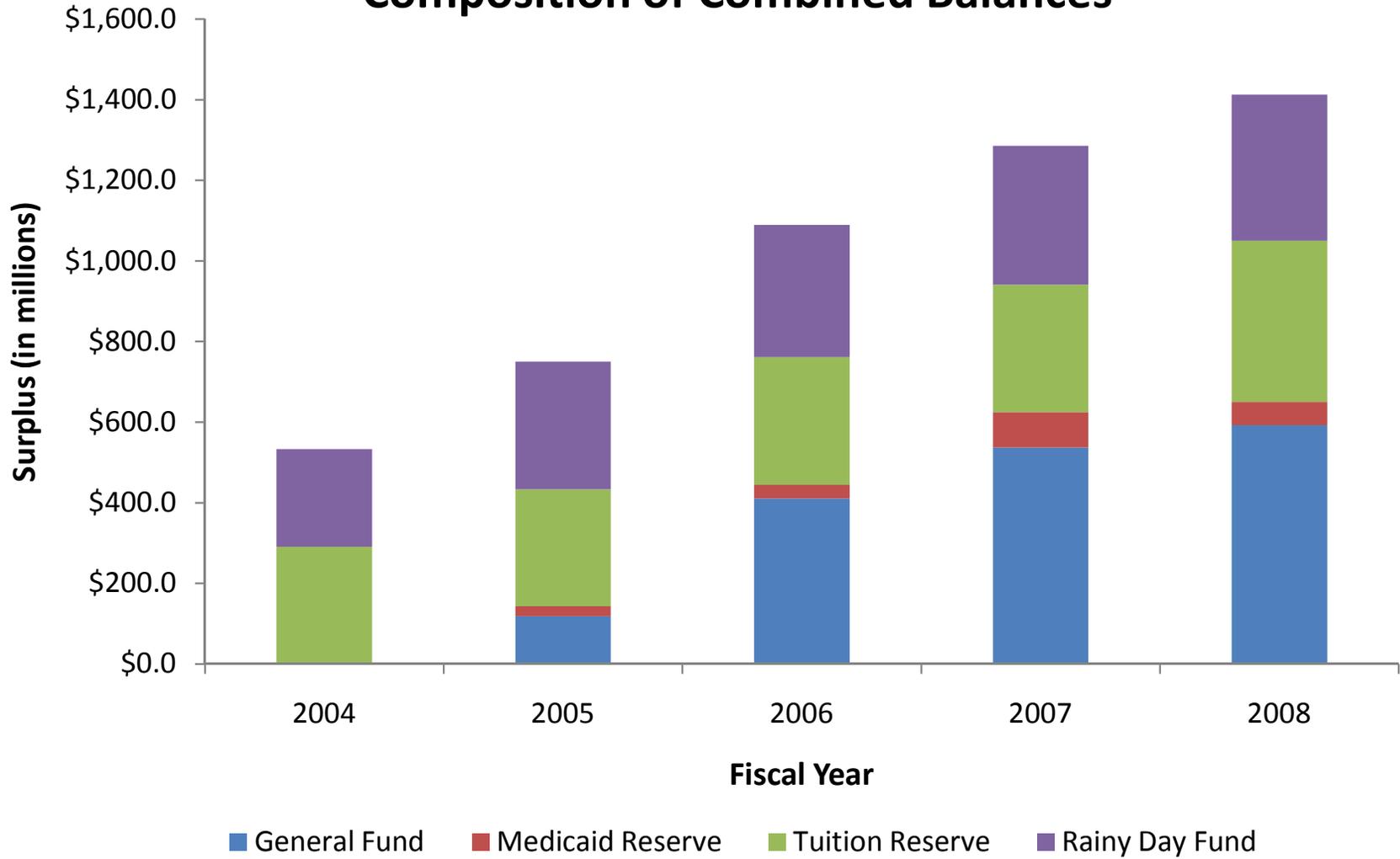
General Fund and Property Tax Replacement Fund expenditures only.

FY02 and after: expenditure growth is adjusted to account for the payment delays and excess reversions.

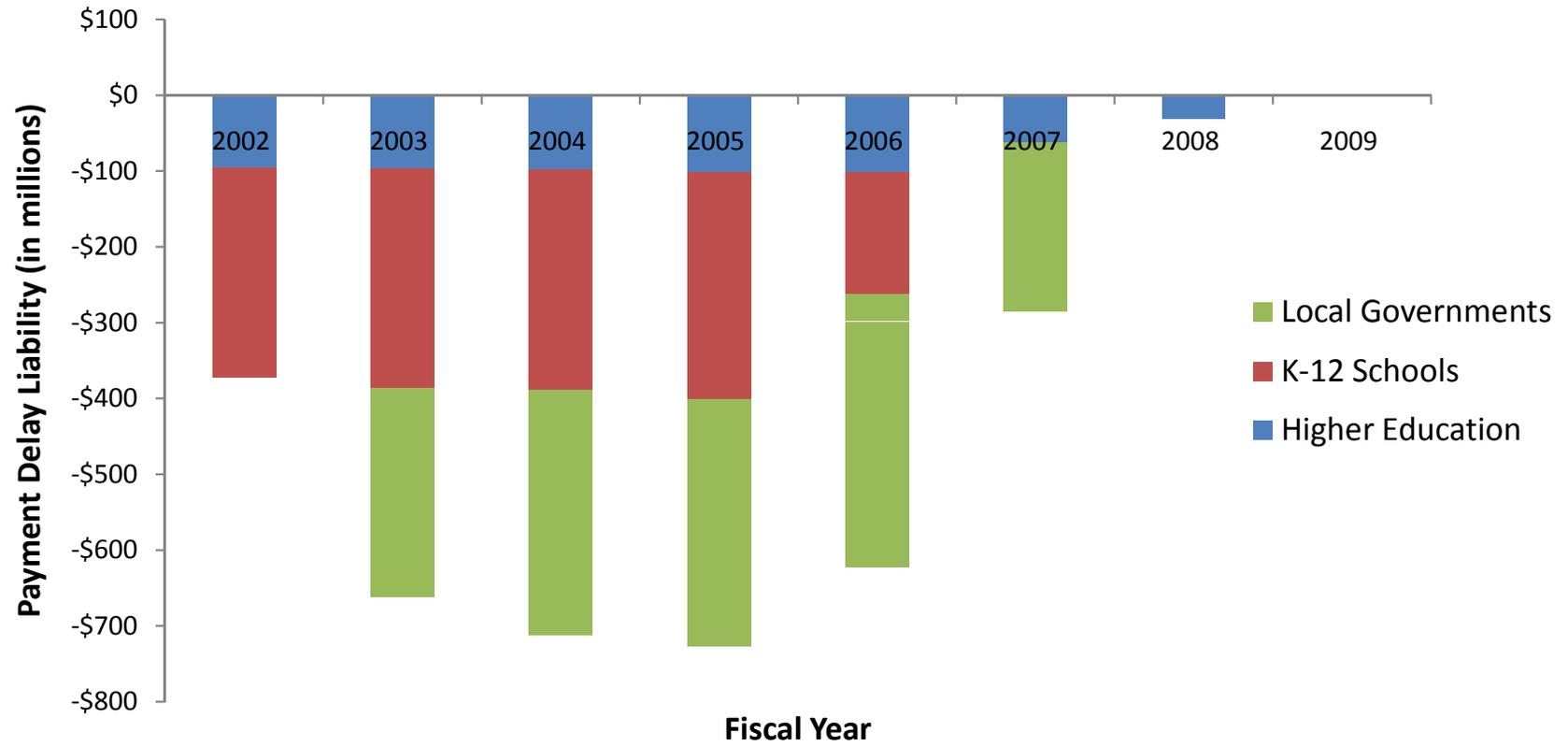
Growing State Reserves (Cash Balance - Liabilities)



Composition of Combined Balances



Elimination of State Debt



Projected FY 2008-2009 State Budget Shortfalls

